

# **A G E N D A**

## **REGULAR MEETING**

### **OF THE OVERSIGHT BOARD TO THE SUCCESSOR AGENCY FOR THE SEAL BEACH REDEVELOPMENT AGENCY**

***Tuesday ~ October 2, 2012 ~ 5:00 p.m.***

City Hall Conference Room  
211 Eighth Street  
Seal Beach, California

#### **BOARD MEMBERS:**

City of Seal Beach	Jill R. Ingram Alayna Hoang
OC Board of Supervisors	Michael P. Levitt Gordon A. Shanks
OC Department of Education	Patricia L. Meyer
CA Community College District	Andy Dunn
Special District	(To be determined)

***Next Oversight Board Resolution: Number OB12-07***

This Agenda contains a brief general description of each item to be considered. No action or discussion shall be taken on any item not appearing on the agenda, except as otherwise provided by law. Supporting documents, including agenda staff reports, and any public writings distributed to at least a majority of the Oversight Board regarding any item on this agenda, are available for review at the Seal Beach City Hall in the City Clerk's Office located at 211 Eighth Street, Seal Beach, California, Monday through Friday, between the hours of 8:00 a.m. and 5:00 p.m. or contact the City Clerk, at ☎ (562) 431-2527.

In compliance with the Americans with Disabilities Act of 1990, if you require a disability-related modification or accommodation to attend or participate in this meeting, including auxiliary aids or services, please call the City Clerk's office at ☎ (562) 431-2527 at least 48 hours prior to the meeting.

## **CALL TO ORDER**

## **PLEDGE OF ALLEGIANCE**

## **COUNCIL ROLL CALL**

## **ORAL COMMUNICATIONS**

At this time members of the public may address the Oversight Board regarding any items on this agenda. Pursuant to the Brown Act, the Board cannot discuss or take action on any items not on the agenda unless authorized by law. Those members of the public wishing to speak are asked to come forward to the microphone and state their name for the record. All speakers will be limited to a period of 3 minutes.

## **BUSINESS MATTERS**

1. **Minutes of the Oversight Board meeting of August 22, 2012** – Approve by minute order.
2. **Due Diligence Review** – Adopt **Resolution No. OB12-07** receiving the Due Diligence Review report prepare by Lance, Soll & Lunghard, LLP pursuant to the health and safety code §34179.5 of AB 1484 and convene the Public Comment Session.

## **ADJOURNMENT**

Adjourn to Thursday October 11, 2012 at 5:00 p.m.

*(Need to meet to consider approving the Due Diligence Review after the 5 day public comment review period.)*

**OVERSIGHT BOARD TO THE SUCCESSOR AGENCY  
TO THE SEAL BEACH REDEVELOPMENT AGENCY**

**AGENDA STAFF REPORT**

DATE: October 2, 2012  
TO: Oversight Board Members  
FROM: Sean P. Crumby, Staff Member  
SUBJECT: **MINUTES OF THE OVERSIGHT BOARD**

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**SUMMARY OF REQUEST**

Approve the minutes for the Oversight Board special meeting of August 22, 2012.

**BACKGROUND**

This section does not apply to this item.

**RECOMMENDATION**

Approve the minutes for the Oversight Board special meeting of August 22, 2012.

Attachment:

1. Minutes

Seal Beach California  
August 22, 2012

The Oversight Board for the Successor Agency to the Seal Beach Redevelopment Agency met in special session at 5:09 p.m. with Chair Shanks calling the meeting to order.

#### ROLL CALL

Present: Board Members: Alayna Hoang, City of Seal Beach  
Jill R. Ingram, City of Seal Beach  
Patricia Meyer, OC Department of Education  
Gordon Shanks, OC Board of Supervisors

Absent: Board Member: Andy Dunn, CA Community Colleges  
Michael Levitt, OC Board of Supervisors

Staff: Sean P. Crumby, Assistant City Manager  
Greg Hastings, Interim Director of Community Development  
Victoria L. Beatley, Director of Finance  
Linda Devine, City Clerk/Secretary

#### ORAL COMMUNICATIONS

Chairman Shanks opened oral communications. Speaker: Rita Brenner Wilkinson, Cottonwood Lane, stated that she and her husband started a remodel on their mobilehome in the trailer park and the money from the RDA is no longer available since the close of the RDA and asked for assistance. Staff indicated that the amount of funds that she has requested (\$19,000) is on the ROPS III form and will be reviewed by the State Department of Finance and that Orange County is overseeing the Housing Authority for the City of Seal Beach. There were no other speakers, Chairman Shanks closed oral communications.

#### BUSINESS MATTERS

##### ITEM "1" / APPROVE MINUTES / JULY 25, 2012

Ingram moved, second by Hoang, to approve the minutes of the July 25, 2012, special meeting.

AYES: Hoang, Ingram, Meyer, Shanks  
NOES: None  
ABSENT: Dunn, Levitt Motion carried

##### ITEM "2" / RESOLUTION NO. OB12-06 / RECOGNIZED OBLIGATION PAYMENT SCHEDULE (ROPS-3) / APPROVE SCHEDULES

Staff member, Sean Crumby provided a brief staff report stating the ROPS resolution was adopted by the Oversight Board on July 25, 2012 and since then the State Department of Finance (DOF) has revised the forms requiring the Oversight Board to adopt the now referred to ROPS-3 report/resolution. Changes to the report forms are as follows: "Contact Info Form" – added footer; "Summary Form" –line "G" from \$220,000 to zero and added footer; "ROPS Form" – last column should be \$1,680,000 – added line 16 – added line 7 (\$180,000); and "Prior Period Form" – there were no changes. The City Attorney for the City of Seal Beach pointed out that language in the resolution allows staff to make any minor changes without coming back to the Oversight Board – this would be if the DOF would revise the forms again – copies would be on file and given to the board members. Ingram moved, second by Hoang, to adopt Resolution No. OB12-06 entitled "A RESOLUTION OF THE OVERSIGHT BOARD FOR THE SUCCESSOR AGENCY TO THE SEAL BEACH REDEVELOPMENT AGENCY APPROVING A RECOGNIZED OBLIGATION PAYMENT SCHEDULE PURSUANT TO HEALTH AND SAFETY CODE SECTION 34180 FOR THE SIX-MONTH FISCAL PERIOD COMMENCING JANUARY 1, 2013 AND ENDING JUNE 30, 2013".

AYES: Hoang, Ingram, Meyer, Shanks

NOES: None

ABSENT: Dunn, Levitt

Motion carried

Chair Shanks moved, second by Ingram, to cancel the September 4<sup>th</sup> meeting.

ADJOURNMENT

With no objections the Chair adjourned the meeting at 5:27 p.m.

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Chair Shanks

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Date Approved

Attested: \_\_\_\_\_  
City Clerk/Board Secretary

**OVERSIGHT BOARD TO THE SUCCESSOR AGENCY  
TO THE SEAL BEACH REDEVELOPMENT AGENCY**

**AGENDA STAFF REPORT**

DATE: October 2, 2012

TO: Oversight Board Members

FROM: Sean P. Crumby, Staff Member

SUBJECT: **DUE DILIGENCE REVIEW FOR LOW AND MODERATE  
INCOME HOUSING FUND IN ACCORDANCE WITH  
HEALTH AND SAFETY CODE §34179.5 AND  
CONVENE THE PUBLIC COMMENT SESSION**

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**RECOMMENDATION**

Staff recommends that the Oversight Board receive and review the Due Diligence Review report for the Low and Moderate Income Housing Funding to Health and Safety Code §34179.5 and convene the Public Comment Session.

**BACKGROUND**

Pursuant to Health and Safety Code Section 34179.5, each successor agency must employ a licensed accountant, approved by the county auditor-controller and with experience and expertise in local government accounting, to conduct a due diligence review to determine the unobligated balances available for transfer to taxing entities.

Each review must determine the net balance of the Low and Moderate Income Housing Fund (the "LMIHF") and specifically the amount of cash and cash equivalents determined to be available for allocation to taxing entities as of June 30, 2012 (the "Due Diligence Review"). In summary, such amount is determined by determining the total value of assets and cash and cash equivalents in the LMIHF, and subtracting the following ("Restricted Assets"): (1) restricted funds, (2) assets that are not cash or cash equivalents, (3) amounts that are legally or contractually dedicated or restricted for the funding of an enforceable obligation, and (4) amounts that are needed to satisfy obligations that will be put on the Recognized Obligation Payment Schedule ("ROPS") for the current fiscal year. Also, the amount determined to be available for allocation to taxing entities includes the value of assets, cash and cash equivalents transferred after January 1, 2011 through June 30, 2012 by the former redevelopment agency or the successor agency to the city, another public agency or private person if an

enforceable obligation to make that transfer did not exist. The Due Diligence Review documents the Restricted Assets and provides the respective amounts, sources and purposes for which the Restricted Assets should be retained.

Health and Safety Code Section 34179.6 requires each successor agency to submit the Due Diligence Review to the oversight board for the oversight board's review and approval.

Upon receipt of the Due Diligence Review, the oversight board must convene a public comment session to take place at least five business days before the oversight board holds the approval vote. The oversight board also must consider any opinions offered by the county auditor-controller on the review results submitted by the successor agency.

By October 15, 2012, the oversight board must review, approve, and transmit the Due Diligence Review to the state department of finance ("DOF") and the county auditor-controller. The oversight board may adjust any amount provided in the review to reflect additional information and analysis. The review and approval must occur in public sessions. The oversight board may request from the successor agency any materials it deems necessary to assist in its review and approval of the determination.

Section 34179.6 empowers the oversight board to authorize a successor agency to retain the Restricted Assets.

The DOF must complete its review of the Due Diligence Review no later than November 9, 2012, and must notify the oversight board and the successor agency of its decision to overturn any decision of the oversight board to authorize a successor agency to retain Restricted Assets. The DOF must provide the oversight board and the successor agency an explanation of its basis for overturning or modifying any findings, determinations, or authorizations of the oversight board. The successor agency then has the option to meet and confer with DOF to discuss any modifications.

By December 1, 2012, the county auditor-controller must provide DOF a report specifying the amount submitted by each successor agency from the LMIHF, and specifically noting any successor agency that failed to remit the full required amount.

Section 34179.5 also requires a similar review of all other funds and accounts held by the successor agency to determine unobligated balances available for transfer to taxing entities. The review for all other funds and accounts must be completed by December 15, 2012 and the county auditor-controller has an April 20, 2013 deadline to provide DOF the report specifying the amount submitted by each successor agency from all other funds and accounts, and specifically noting any successor agency that failed to remit the full required amount.

Upon full payment of the amounts determined in the Due Diligence Review and the subsequent review conducted for all other funds and accounts, payment of the “surplus” tax revenues due on July 12, 2012, and any unpaid or underpaid pass through payments owed for fiscal year 2011-12, DOF will issue to the successor agency, within five business days, a finding of completion of the requirements of Section 34179.6.

Lance, Soll & Lunghard, LLP (“LSL”), were retained by the Successor Agency to conduct this Due Diligence Review.

### **RECOMMENDATION**

That the Oversight Board receive and review the Due Diligence Review report and convene the Public Comment Session.



**RESOLUTION NUMBER OB12-07**

**A RESOLUTION OF THE OVERSIGHT BOARD FOR THE  
SUCCESSOR AGENCY TO THE SEAL BEACH  
REDEVELOPMENT AGENCY ACKNOWLEDGING THE RECEIPT  
OF THE REVIEW OF THE LOW AND MODERATE INCOME  
HOUSING FUND CONDUCTED PURSUANT TO HEALTH AND  
SAFETY CODE §34179.5**

**RECITALS:**

A. Pursuant to Health and Safety Code Section 34175(b) and the California Supreme Court's decision in *California Redevelopment Association, et al. v. Ana Matosantos, et al.* (53 Cal.4th 231(2011)), on February 1, 2012, all assets, properties, contracts, leases, books and records, buildings, and equipment of the former Seal Beach Redevelopment Agency transferred to the control of the Successor Agency to the Seal Beach Redevelopment Agency (the "Successor Agency") by operation of law.

B. Health and Safety Code Section 34179.5 requires the Successor Agency to employ a licensed accountant, approved by the county auditor-controller, to conduct a due diligence review to determine the unobligated balances available for transfer to taxing entities.

C. Health and Safety Code Section 34179.6 requires the Successor Agency to submit the results of the review conducted pursuant to Section 34179.5 for the Low and Moderate Income Housing Fund (the "LMIHF") and specifically the amount of cash and cash equivalents determined to be available for allocation to taxing entities (the "Due Diligence Review") to the Successor Agency's Oversight Board (the "Oversight Board") for the Oversight Board's review and approval.

D. Pursuant to Health and Safety Code Sections 34179.6 and 34180(j), the Successor Agency submitted to the Oversight Board, the county administrative officer, the county auditor-controller, the State Controller and the Department of Finance ("DOF") the Due Diligence Review and a copy of the Recognized Obligation Payment Schedule ("ROPS").

E. Pursuant to Health and Safety Code Section 34179.6(b), upon receipt of the Due Diligence Review, and at least five business days before the Oversight Board considers the approval of the Due Diligence Review, the Oversight Board must hold a public comment session (the "Public Comment Session") at which time the public has an opportunity to hear and be heard on the results of the Due Diligence Review and at which time the Oversight Board considers the opinions, if any, offered by the county auditor-controller on the results of the Due Diligence Review.

F. On the date of this Resolution, the Oversight Board will hold the Public Comment Session pursuant to Health and Safety Code Section 34179.6(b).

NOW, THEREFORE, THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE SEAL BEACH REDEVELOPMENT AGENCY HEREBY FINDS, DETERMINES, RESOLVES, AND ORDERS AS FOLLOWS:

Section 1. The above recitals are true and correct and are a substantive part of this Resolution.

Section 2. The Oversight Board hereby acknowledges receipt of the Due Diligence Review.

Section 3. The staff and the Board of the Successor Agency are hereby authorized and directed, jointly and severally, to do any and all things which they may deem necessary or advisable to effectuate this Resolution.

PASSED, APPROVED AND ADOPTED by the Oversight Board at a meeting held on the 2nd day of October, 2012.

AYES: Board Members: \_\_\_\_\_

NOES: Board Members: \_\_\_\_\_

ABSENT: Board Members: \_\_\_\_\_

ABSTAIN: Board Members: \_\_\_\_\_

\_\_\_\_\_  
CHAIR, OVERSIGHT BOARD

ATTEST:

\_\_\_\_\_  
SECRETARY, OVERSIGHT BOARD

STATE OF CALIFORNIA )  
COUNTY OF ORANGE ) SS  
CITY OF SEAL BEACH )

I, Linda Devine, Secretary to the Oversight Board, hereby certify that the foregoing resolution was duly adopted at a meeting of the Oversight Board, held on the 2nd day of October, 2012.

\_\_\_\_\_  
SECRETARY, OVERSIGHT BOARD



**Successor Agency of the Former  
Seal Beach Redevelopment Agency**

**Due Diligence Review  
of the Low and Moderate Income Housing Fund  
Pursuant to Sections 34179.5(c)(1) through 34179.5(c)(3)  
and Sections 34179.5(c)(5) through 34179.5(c)(6)  
of Assembly Bill No. 1484 of 2012**

**Lance Soll & Lunghard, LLP**

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Murrieta, CA 92562

Successor Agency of the Former  
Seal Beach Redevelopment Agency

Due Diligence Review  
of the Low and Moderate Income Housing Fund  
Pursuant to Sections 34179.5(c)(1) through 34179.5(c)(3)  
and Sections 34179.5(c)(5) through 34179.5(c)(6)  
of Assembly Bill No. 1484 of 2012

\* Brandon W. Burrows, CPA  
\* David E. Hale, CPA, CFP  
    *A Professional Corporation*  
\* Donald G. Slater, CPA  
\* Richard K. Kikuchi, CPA  
\* Susan F. Matz, CPA  
\* Shelly K. Jackley, CPA  
\* Bryan S. Gruber, CPA  
\* Deborah A. Harper, CPA

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Successor Agency of the  
Former Seal Beach Redevelopment Agency  
City of Seal Beach, California

We have performed the procedures enumerated in Attachment A for the Low and Moderate Housing Fund, which were agreed to by the California State Controller's Office and the State of California Department of Finance (State Agencies) solely to assist you in ensuring that the dissolved redevelopment agency is complying with Assembly Bill 1484, Chapter 26, Section 17's amendment to health and safety code 34179.5. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Management of the successor agency is responsible for providing all the information obtained in performing these procedures. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

As stated above, the scope of this engagement was limited to performing the procedures identified in Attachment A, which specified the "List of Procedures for the Due Diligence Review" obtained from the California Department of Finance Website.

The results of the procedures performed are identified in Attachment B1 through B11.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of a certified opinion as to the appropriateness of the results of the procedures performed. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to the Successor Agency.

This report is intended solely for the information and use of the Successor Agency Oversight Board, the Successor Agency and the applicable State Agencies, and is not intended to be, and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Lance, Soll & Lunghard, LLP*

Brea, California  
September 13, 2012

## SCHEDULE A

### **List of Procedures for Due Diligence Review of the Low and Moderate Housing Fund**

1. Obtain from the Successor Agency a listing of all assets that were transferred from the former redevelopment agency to the Successor Agency on February 1, 2012. Agree the amounts on this listing to account balances established in the accounting records of the Successor Agency. Identify in the Agreed-Upon Procedures (AUP) report the amount of the assets transferred to the Successor Agency as of that date.
2. If the State Controller's Office has completed its review of transfers required under both sections 34167.5 and 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the AUP report. If this has not yet occurred, perform the following procedures:
  - a. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the former redevelopment agency to the city, county, or city and county that formed the redevelopment agency for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
  - b. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Successor Agency to the city, county, or city and county that formed the redevelopment agency for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
  - c. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.
3. If the State Controller's Office has completed its review of transfers required under both Sections 34167.5 and 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the AUP report. If this has not yet occurred, perform the following procedures:
  - a. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the former redevelopment agency to any other public agency or to private parties for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
  - b. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Successor Agency to any other public agency or private parties for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
  - c. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

## **SCHEDULE A (Continued)**

### **List of Procedures for Due Diligence Review for the Low and Moderate Housing Fund (Continued)**

4. Perform the following procedures:
  - a. Obtain from the Successor Agency a summary of the financial transactions of the Redevelopment Agency and the Successor Agency in the format set forth in the attached schedule for the fiscal periods indicated in the schedule. For purposes of this summary, the financial transactions should be presented using the modified accrual basis of accounting. End of year balances for capital assets (in total) and long-term liabilities (in total) should be presented at the bottom of this summary schedule for information purposes.
  - b. Ascertain that for each period presented, the total of revenues, expenditures, and transfers accounts fully for the changes in equity from the previous fiscal period.
  - c. Compare amounts in the schedule relevant to the fiscal year ended June 30, 2010 to the state controller's report filed for the Redevelopment Agency for that period.
  - d. Compare amounts in the schedule for the other fiscal periods presented to account balances in the accounting records or other supporting schedules. Describe in the report the type of support provided for each fiscal period.
5. Obtain from the Successor Agency a listing of all assets of the Low and Moderate Income Housing Fund as of June 30, 2012 for the report that is due October 1, 2012 and a listing of all assets of all other funds of the Successor Agency as of June 30, 2012 (excluding the previously reported assets of the Low and Moderate Income Housing Fund) for the report that is due December 15, 2012. When this procedure is applied to the Low and Moderate Income Housing Fund, the schedule attached as an exhibit will include only those assets of the Low and Moderate Income Housing Fund that were held by the Successor Agency as of June 30, 2012 and will exclude all assets held by the entity that assumed the housing function previously performed by the former redevelopment agency. Agree the assets so listed to recorded balances reflected in the accounting records of the Successor Agency. The listing should be attached as an exhibit to the appropriate AUP report.
6. Obtain from the Successor Agency a listing of asset balances held on June 30, 2012 that are restricted for the following purposes:
  - a. Unspent bond proceeds:
    - i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures, amounts set aside for debt service payments, etc.).
    - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
    - iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.
  - b. Grant proceeds and program income that are restricted by third parties:
    - i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures).
    - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).

## SCHEDULE A (Continued)

### List of Procedures for Due Diligence Review for the Low and Moderate Housing Fund (Continued)

- iii. Obtain from the Successor Agency a copy of the grant agreement that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.
  - c. Other assets considered to be legally restricted:
    - i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures).
    - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
    - iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by Successor the Agency as restricted.
  - d. Attach the above mentioned Successor Agency prepared schedule(s) as an exhibit to the AUP report. For each restriction identified on these schedules, indicate in the report the period of time for which the restrictions are in effect. If the restrictions are in effect until the related assets are expended for their intended purpose, this should be indicated in the report.
7. Perform the following:
- a. Obtain from the Successor Agency a listing of assets as of June 30, 2012 that are **not** liquid or otherwise available for distribution (such as capital assets, land held for resale, long-term receivables, etc.) and ascertain if the values are listed at either purchase cost (based on book value reflected in the accounting records of the Successor Agency) or market value as recently estimated by the Successor Agency.
  - b. If the assets listed at 7(A) are listed at purchase cost, trace the amounts to a previously audited financial statement (or to the accounting records of the Successor Agency) and note any differences.
  - c. For any differences noted in 7(B), inspect evidence of disposal of the asset and ascertain that the proceeds were deposited into the Successor Agency trust fund. If the differences are due to additions (this generally is not expected to occur), inspect the supporting documentation and note the circumstances.
  - d. If the assets listed at 7(A) are listed at recently estimated market value, inspect the evidence (if any) supporting the value and note the methodology used. If no evidence is available to support the value and/or methodology, note the lack of evidence.
8. Perform the following:
- a. If the Successor Agency believes that asset balances need to be retained to satisfy enforceable obligations, obtain from the Successor Agency an itemized schedule of asset balances (resources) as of June 30, 2012 that are dedicated or restricted for the funding of enforceable obligations and perform the following procedures. The schedule should identify the amount dedicated or restricted, the nature of the dedication or restriction, the specific enforceable obligation to which the dedication or restriction relates, and the language in the legal document that is associated with the enforceable obligation that specifies the dedication of existing asset balances toward payment of that obligation.
    - i. Compare all information on the schedule to the legal documents that form the basis for the dedication or restriction of the resource balance in question.



## SCHEDULE A (Continued)

### List of Procedures for Due Diligence Review for the Low and Moderate Housing Fund (Continued)

- ii. Compare all current balances to the amounts reported in the accounting records of the Successor Agency or to an alternative computation.
  - iii. Compare the specified enforceable obligations to those that were included in the final Recognized Obligation Payment Schedule approved by the California Department of Finance.
  - iv. Attach as an exhibit to the report the listing obtained from the Successor Agency. Identify in the report any listed balances for which the Successor Agency was unable to provide appropriate restricting language in the legal document associated with the enforceable obligation.
- b. If the Successor Agency believes that future revenues together with balances dedicated or restricted to an enforceable obligation are insufficient to fund future obligation payments and thus retention of current balances is required, obtain from the Successor Agency a schedule of approved enforceable obligations that includes a projection of the annual spending requirements to satisfy each obligation and a projection of the annual revenues available to fund those requirements and perform the following procedures:
- i. Compare the enforceable obligations to those that were approved by the California Department of Finance. Procedures to accomplish this may include reviewing the letter from the California Department of Finance approving the Recognized Enforceable Obligation Payment Schedules for the six month period from January 1, 2012 through June 30, 2012 and for the six month period July 1, 2012 through December 31, 2012.
  - ii. Compare the forecasted annual spending requirements to the legal document supporting each enforceable obligation.
    - a. Obtain from the Successor Agency its assumptions relating to the forecasted annual spending requirements and disclose in the report major assumptions associated with the projections.
  - iii. For the forecasted annual revenues:
    - a. Obtain from the Successor Agency its assumptions for the forecasted annual revenues and disclose in the report major assumptions associated with the projections.
- c. If the Successor Agency believes that projected property tax revenues and other general purpose revenues to be received by the Successor Agency are insufficient to pay bond debt service payments (considering both the timing and amount of the related cash flows), obtain from the Successor Agency a schedule demonstrating this insufficiency and apply the following procedures to the information reflected in that schedule.
- i. Compare the timing and amounts of bond debt service payments to the related bond debt service schedules in the bond agreement.
  - ii. Obtain the assumptions for the forecasted property tax revenues and disclose major assumptions associated with the projections.
  - iii. Obtain the assumptions for the forecasted other general purpose revenues and disclose major assumptions associated with the projections.
- d. If procedures A, B, or C were performed, calculate the amount of current unrestricted balances necessary for retention in order to meet the enforceable obligations by performing the following procedures.

## **SCHEDULE A (Continued)**

### **List of Procedures for Due Diligence Review for the Low and Moderate Housing Fund (Continued)**

- i. Combine the amount of identified current dedicated or restricted balances and the amount of forecasted annual revenues to arrive at the amount of total resources available to fund enforceable obligations.
  - ii. Reduce the amount of total resources available by the amount forecasted for the annual spending requirements. A negative result indicates the amount of current unrestricted balances that needs to be retained.
  - iii. Include the calculation in the AUP report.
9. If the Successor Agency believes that cash balances as of June 30, 2012 need to be retained to satisfy obligations on the Recognized Obligation Payment Schedule (ROPS) for the period of July 1, 2012 through June 30, 2013, obtain a copy of the final ROPS for the period of July 1, 2012 through December 31, 2012 and a copy of the final ROPS for the period January 1, 2013 through June 30, 2013. For each obligation listed on the ROPS, the Successor Agency should add columns identifying (1) any dollar amounts of existing cash that are needed to satisfy that obligation and (2) the Successor Agency's explanation as to why the Successor Agency believes that such balances are needed to satisfy the obligation. Include this schedule as an attachment to the AUP report.
10. Include (or present) a schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Entities. Amounts included in the calculation should agree to the results of the procedures performed in each section above. The schedule should also include a deduction to recognize amounts already paid to the County Auditor-Controller on July 12, 2012 as directed by the California Department of Finance. The amount of this deduction presented should be agreed to evidence of payment. The attached example summary schedule may be considered for this purpose. Separate schedules should be completed for the Low and Moderate Income Housing Fund and for all other funds combined (excluding the Low and Moderate Income Housing Fund).
11. Obtain a representation letter from Successor Agency management acknowledging their responsibility for the data provided to the practitioner and the data presented in the report or in any attachments to the report. Included in the representations should be an acknowledgment that management is not aware of any transfers (as defined by Section 34179.5) from either the former redevelopment agency or the Successor Agency to other parties for the period from January 1, 2011 through June 30, 2012 that have not been properly identified in the AUP report and its related exhibits. Management's refusal to sign the representation letter should be noted in the AUP report as required by attestation standards.

**Procedure 1**  
**List of Assets Transferred from the Former Redevelopment Agency to the Successor Agency**  
**Low and Moderate Housing Fund**  
**As of February 1, 2012**

**ATTACHMENT B1**

<u>Asset</u>	<u>Balance at 2/1/2012</u>
Cash in Bank	\$ 1,484,985
Accounts Receivable	127
Notes Receivable	<u>1,985,016</u>
<b>Total Assets transferred:</b>	<b><u><u>\$ 3,470,128</u></u></b>

**Procedure 2**

**ATTACHMENT B2**

**Listing of Transfers (excluding payments for goods and services) to the City  
Low and Moderate Housing Fund  
For the Period from January 1, 2011 through June 30, 2012**

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**From former Redevelopment Agency to City for January 1, 2011 through January 31, 2012:**

No transfers were made to the City during this time period or they were diminimus

**From Successor Agency to City for February 1, 2012 through June 30, 2012**

No transfers were made to the City during this time period or they were diminimus

**Procedure 3**

**ATTACHMENT B3**

**Listing of Transfers (excluding payments for goods and services) to other public agencies or private parties**

**Low and Moderate Housing Fund**

**For the Period from January 1, 2011 through June 30, 2012**

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**From former Redevelopment Agency to other public agencies or private parties for January 1, 2011 through January 31, 2012:**

No transfers were made to other public agencies or private parties during this time period or they were diminimus

**From Successor Agency to other public agencies or private parties for February 1, 2012 through June 30, 2012:**

No transfers were made to other public agencies or private parties during this time period or they were diminimus

**Procedure 4**

**ATTACHMENT B4**

**Summary of the financial transactions of Redevelopment Agency and Successor Agency**

**Low and Moderate Housing Fund**

**Per schedule attached to List of Procedures for Due Diligence Review**

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**NOT APPLICABLE TO THE LOW AND MODERATE HOUSING FUND DUE DILIGENCE REVIEW**

Procedure 5

ATTACHMENT B5

Listing of All Assets (excluding all assets held by the entity that assumed the housing function)

Low and Moderate Housing Fund

As of June 30, 2012

Asset				Amount	
Cash	301-000-1000	Cash in Bank		\$ 1,236,939	
		<b>TOTAL CASH:</b>		\$	1,236,939
Receivables	301-000-10011	Accounts Receivable		1,090	
	301-000-10016	Notes- Receivable - Riverfront		1,971,776	
		<b>TOTAL RECEIVABLES:</b>			1,972,866
<b>TOTAL ASSETS AT 6/30/2012:</b>				<b>\$</b>	<b>3,209,805</b>

Procedure 6  
Listing of Assets that are restricted  
Low and Moderate Housing Fund  
As of June 30, 2012

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ATTACHMENT B6

NO ASSETS ARE RESTRICTED AS OF JUNE 30, 2012



**Procedure 7****ATTACHMENT B7****Listing of Assets That Are Not Liquid or Otherwise Available for Distribution****Low and Moderate Housing Fund****As of June 30, 2012**

<u>Item #</u>	<u>Description</u>	<u>Reference</u>	<u>Amount</u>	<u>Value Method</u>	<u>Variance Noted? (Y/N)</u>
1	Long-term receivable a) Note Receivable - Riverfront	301-000-10016	\$ 1,971,776	Cost	N
4	Accounts Receivable a) Accounts Receivable	301-000-10011	<u>1,090</u>	Cost	N
TOTAL RESTRICTIONS OF NON-CASH ITEMS			<u><u>\$ 1,972,866</u></u>		

**Procedure 8a**

**ATTACHMENT B8a**

**Listing of Assets (resources) that are dedicated or restricted for the funding of enforceable obligations**

**Low and Moderate Housing Fund**

**As of June 30, 2012**

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**NO ASSETS ARE DEDICATED OR RESTRICTED FOR THE FUNDING OF ENFORCEABLE OBLIGATIONS**

Procedure 8b

ATTACHMENT B8b

Listing of Assets (resources) that need to be retained due to insufficient funding for the funding of enforceable obligations

Low and Moderate Housing Fund

As of June 30, 2012

---

NO ASSETS NEED TO BE RETAINED DUE TO INSUFFICIENT FUNDING FOR THE FUNDING OF ENFORCEABLE OBLIGATIONS

**Procedure 8c**

**ATTACHMENT B8c**

**Listing of Assets (resources) that need to be retained due to projected insufficient property tax revenues for bond debt payments**

**Low and Moderate Housing Fund**

**As of June 30, 2012**

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**NO ASSETS NEED TO BE RETAINED DUE TO PROJECTED INSUFFICIENT PROPERTY TAX REVENUES FOR BOND PAYMENTS**

**Procedure 9**

**ATTACHMENT B9**

**Listing of Assets (resources) that need to be retained due to projected insufficient property tax revenues for future ROPS**

**Low and Moderate Housing Fund**

**As of June 30, 2012**

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**NO ASSETS NEED TO BE RETAINED DUE TO PROJECTED INSUFFICIENT PROPERTY TAX REVENUES FOR FUTURE ROPS**

**Procedure 10****ATTACHMENT B10****Summary of Low-Mod Balances Available for Allocation to Affected Taxing Entities**

Total amount of assets held by the successor agency as of June 30, 2012 (procedure 5)	\$	3,209,805
Add the amount of any assets transferred to the city or other parties for which an enforceable obligation with a third party requiring such transfer and obligating the use of the transferred assets did not exist (procedures 2 and 3)		
	To City	-
	To other parties	-
Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments (procedure 6)		-
Less assets that are not cash or cash equivalents (e.g., physical assets) - (procedure 7)		(1,972,866)
Less balances that are legally restricted for the funding of an enforceable obligation (net of projected annual revenues available to fund those obligations) - (procedure 8)		-
Less balances needed to satisfy ROPS for the 2012-13 fiscal year (procedure 9)		-
↗ Less the amount of payments made on July 12, 2012 to the County Auditor-Controller as directed by the California Department of Finance		(203,916)
Amount to be remitted to county for disbursement to taxing entities **	\$	<u><u>1,033,023</u></u>

**\*\* PLEASE NOTE:** The Successor Agency of the Seal Beach Redevelopment Agency is requesting to use this residual amount for the Mobile Home Park Revenue Bonds (Seal Beach Mobile Home Park Project) Series 2000A; Regulatory Agreement dated December 1, 2000. This obligation is itemized on ROPS III line item #7. The Department of Finance ("DOF") has indicated that if item #7 is approved, the funds needed to pay such enforceable obligation should be paid from the LMIHF. In sum, if DOF approves item #7 on ROPS III, this number will be reduced to \$0.

# City of Seal Beach



CITY HALL 211 EIGHTH STREET  
SEAL BEACH, CALIFORNIA 90740  
(562) 431-2527 • www.ci.seal-beach.ca.us

September 13, 2012

Lance, Soll & Lunghard, LLP  
Certified Public Accountants  
203 North Brea Boulevard, Suite 203  
Brea, CA 92821-4056

We are providing this letter in connection with your performance of the Due Diligence Review of the Low and Moderate Housing Fund in accordance with Assembly Bill 1484 for the Successor Agency of the former Seal Beach Redevelopment Agency. We confirm that we are responsible for the complete and fair presentation of the previously mentioned review in conformity with the listed procedures of the Assembly Bill 1484 Due Diligence Review as published by the State Department of Finance on August 27, 2012. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your review:

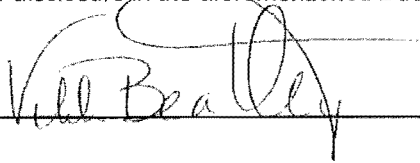
1. We have made available to you:
  - a. In accordance with 34179.5(c)(1), the dollar value of all assets transferred from the former redevelopment agency to the successor agency on or about February 1, 2012.
  - b. In accordance with 34179.5(c)(2), the dollar value of all assets and cash and cash equivalents transferred after January 1, 2011, through June 30, 2012, by the redevelopment agency or the successor agency to the city, county, or city and county that formed the redevelopment agency and the purpose of each transfer. We have also provided the documentation of any enforceable obligation that required the transfer.
  - c. In accordance with 34179.5(c)(3), the dollar value of any cash or cash equivalents transferred after January 1, 2011, through June 30, 2012, by the redevelopment agency or the successor agency to any other public agency or private party and the purpose of each transfer. We have also provided documentation of any enforceable obligation that required the transfer.
  - d. In accordance with 34179.5(c)(4), the expenditure and revenue accounting information and have identified transfers and funding sources for the 2010–11 and 2011–12 fiscal years that reconciles balances, assets, and liabilities of the successor agency on June 30, 2012 to those reported to the Controller for the 2009–10 fiscal year.
  - e. In accordance with 34179.5(c)(5), a listing of all assets of the Low and Moderate Income Housing Fund as of June 30, 2012 for the report that is due October 1, 2012 and a listing of all assets of all other funds of the Successor Agency as of June 30, 2012 (excluding the previously reported assets of the Low and Moderate Income Housing Fund) for the report that is due December 15, 2012.

- f. In accordance with 34179.5(c)(5)(B), an itemized statement listing any amounts that are legally restricted as to purpose and cannot be provided to taxing entities. This could include the proceeds of any bonds, grant funds, or funds provided by other governmental entities that place conditions on their use.
        - g. In accordance with 34179.5(c)(5)(C), an itemized statement of the values of any assets that are not cash or cash equivalents. This may include physical assets, land, records, and equipment. For the purpose of this accounting, physical assets may be valued at purchase cost or at any recently estimated market value.
        - h. In accordance with 34179.5(c)(5)(D), an itemized listing of any current balances that are legally or contractually dedicated or restricted for the funding of an enforceable obligation that identifies the nature of the dedication or restriction and the specific enforceable obligation. In addition, we have provided a listing of all approved enforceable obligations that includes a projection of annual spending requirements to satisfy each obligation and a projection of annual revenues available to fund those requirements.
        - i. In accordance with 34179.5(c)(5)(E), an itemized list and analysis of any amounts of current balances that are needed to satisfy obligations that will be placed on the Recognized Obligation Payment Schedules for the current fiscal year.
2. There are no material transactions that have not been properly recorded in the accounting records underlying this Due Diligence Review.
3. Management is not aware of any transfers (as defined by Section 34179.5) from either the former Redevelopment Agency or the Successor Agency to the City, other agencies or private parties for the period January 1, 2011 through June 30, 2012 that have not been identified in this report and related exhibits.
4. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
5. We have no knowledge of any fraud or suspected fraud affecting this Due Diligence Review involving:
  - a. Management,
  - b. Employees who have significant roles in internal control, or
  - c. Others where the fraud could have a material effect on this Due Diligence Review.
6. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
7. When applicable, we have taken timely and appropriate steps to remedy fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that you have reported to us.
8. We have identified to you any previous audits, attestation engagements, performance audits, state controller reports or other studies related to the objectives of this Due Diligence Review and whether related recommendations have been implemented.
9. The Successor Agency of the former Seal Beach Redevelopment Agency has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or fund equity.



10. We are responsible for compliance with the laws, regulations, provisions of contracts and grant agreements applicable to us, and all provisions related to the dissolution of the Redevelopment Agency in accordance with ABx1 26 and AB 1484.
11. There are no known violations of:
- a. Laws and regulations,
  - b. Provisions of contracts and grant agreements,
  - c. Provisions related to the dissolution of the Redevelopment Agency in ABx1 26 and AB 1484 whose effects should be considered for disclosure in this Due Diligence Review.
12. All bank accounts and investments associated with this review have been properly reflected in the general ledger accounting records.
13. No events, including instances of noncompliance, have occurred subsequent to the performance of this Due Diligence Review and through the date of this letter that would require adjustment to or disclosure in the aforementioned Due Diligence Review.

Signed: \_\_\_\_\_



Signed: \_\_\_\_\_

Title: \_\_\_\_\_

Director of Finance/  
City Treasurer

Title: \_\_\_\_\_